



A REPORT ON SMALL BUSINESS IN KENTUCKY

- *The importance of small businesses in the Kentucky economy*
- *Programs and services available to small businesses and*
- *The increasing role of small business advocacy*

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Cabinet for Economic Development

By the Kentucky Cabinet for Economic Development,
its Small Business Services Division and the Commission on Small Business Advocacy



OFFICE OF THE GOVERNOR

Ernie Fletcher
Governor

700 Capitol Avenue
Suite 100
Frankfort, Kentucky 40601
Phone: 502-564-2611
Fax: 502-564-2517
www.governor.ky.gov



All Kentuckians should appreciate the importance of the small business community in our state's economy. Nine of every ten businesses in the Commonwealth are small businesses. Collectively, they employ hundreds of thousands of Kentuckians. Individually, they help define the character and charm of every Kentucky community.

As Governor, I am proud to support the expansion of state programs that encourage further growth of small businesses. Through the reorganization of the Commission on Small Business Advocacy, the small business community has a strong voice in defining public policy. New initiatives by the Economic Development Cabinet – including the Small Business Loan Program and the Kentucky Business Finder – will also benefit many individual businesses.

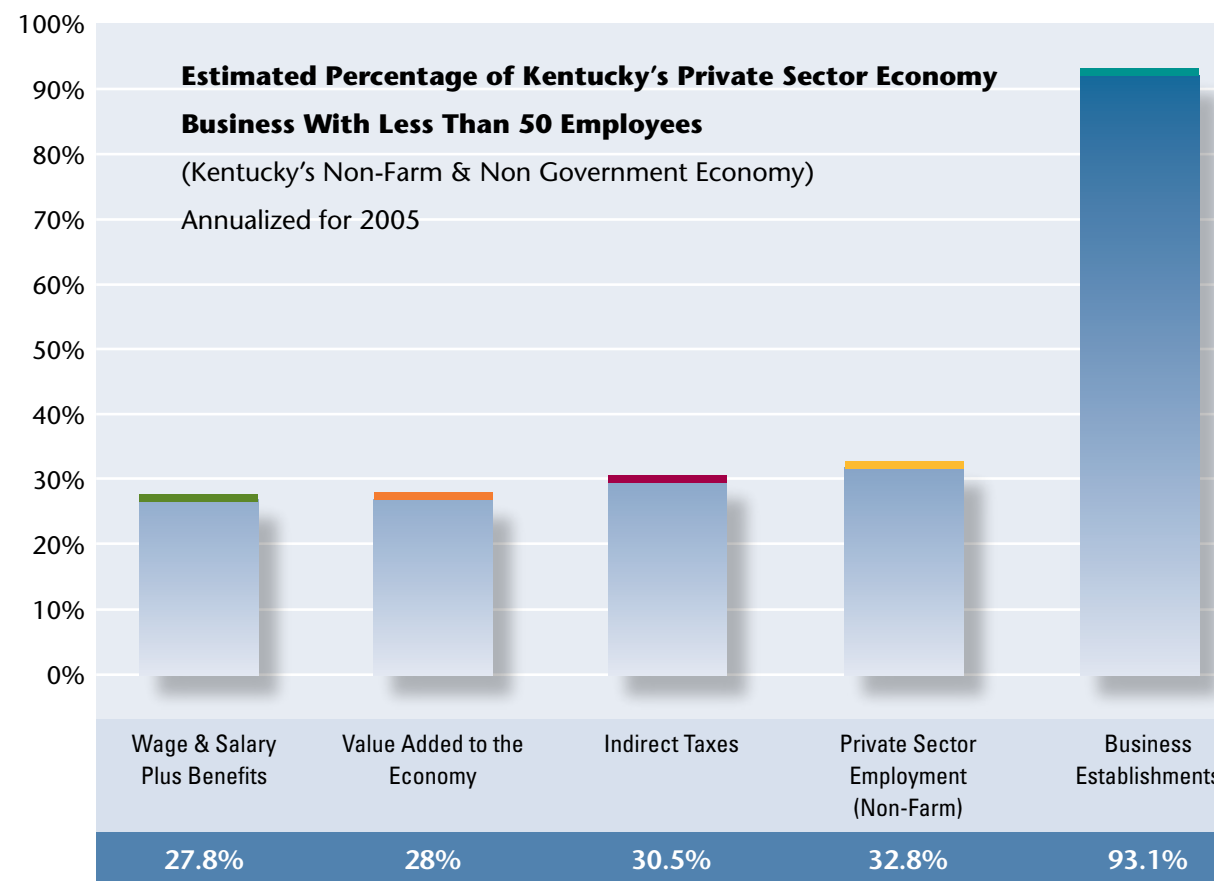
I encourage small business owners in Kentucky to take advantage of these programs and the many other support services that exist across the Commonwealth. As we work together to build our small business community, we will build a stronger Kentucky.

Ernie Fletcher
Governor

Small Business and the Kentucky Economy

Small business is a big part of the Kentucky economy. Of 71,250 business establishments in the Commonwealth, more than 66,300 – or 93% – have fewer than 50 employees. A majority of businesses in Kentucky – more than 50,000 – employ 10 or fewer.

In addition to being great in number, small businesses have a significant impact on the Kentucky economy. Businesses with fewer than 50 employees provide one-third of all non-farm employment in the state and 28% of all wages and benefits paid. They also account for 31% of indirect taxes paid by business, including property, sales, and excise taxes (excluding income taxes). These same small businesses account for 28% of the value added to the state economy.



Small Businesses Across Kentucky

Within Kentucky, small businesses represent a significant portion of the economy in every community. Beyond the economic impact, these businesses are active in local chambers of commerce and support countless charities and events. Many communities recognize the important contribution of their small businesses and encourage increased local entrepreneurship.

The following table lists the number of businesses in each Kentucky county that employ fewer than 50, as well as the total number of local jobs provided by these firms.

COUNTY	Number of Employers with less than 50 Employees	Number of Employees in Firms with less than 50 Employees (Based on February 2005 Employment)	COUNTY	Number of Employers with less than 50 Employees	Number of Employees in Firms with less than 50 Employees (Based on February 2005 Employment)
Adair	272	1644	Clay	258	1191
Allen	188	1119	Clinton	164	865
Anderson	226	1317	Crittenden	121	857
Ballard	144	786	Cumberland	109	540
Barren	683	4226	Daviess	1800	11937
Bath	135	789	Edmonson	104	697
Bell	464	2563	Elliott	57	201
Boone	2365	15611	Estill	174	914
Bourbon	391	2203	Fayette	6667	41553
Boyd	1184	7802	Fleming	251	1457
Boyle	585	3464	Floyd	659	3996
Bracken	100	545	Franklin	962	6456
Breathitt	156	985	Fulton	159	832
Breckinridge	266	1331	Gallatin	110	566
Bullitt	804	4998	Garrard	200	1071
Butler	166	1085	Grant	329	1704
Caldwell	221	1385	Graves	609	3555
Calloway	671	4283	Grayson	386	2263
Campbell	1335	8416	Green	147	616
Carlisle	75	470	Greenup	422	2543
Carroll	186	1317	Hancock	118	689
Carter	349	1954	Hardin	1607	10579
Casey	153	920	Harlan	405	2666
Christian	1057	6904	Harrison	271	1568
Clark	604	3376	Hart	196	994

COUNTY	Number of Employers with less than 50 Employees	Number of Employees in Firms with less than 50 Employees (Based on February 2005 Employment)	COUNTY	Number of Employers with less than 50 Employees	Number of Employees in Firms with less than 50 Employees (Based on February 2005 Employment)
Henderson	807	5013	Monroe	189	1210
Henry	207	985	Montgomery	464	2966
Hickman	75	486	Morgan	160	916
Hopkins	769	4786	Muhlenberg	454	2681
Jackson	131	713	Nelson	837	4655
Jefferson	16919	104763	Nicholas	86	368
Jessamine	841	5049	Ohio	289	1483
Johnson	415	2452	Oldham	1143	4930
Kenton	2709	16430	Owen	94	503
Knott	188	1206	Owsley	38	236
Knox	383	2361	Pendleton	154	875
LaRue	183	868	Perry	528	3204
Laurel	921	6525	Pike	1174	6774
Lawrence	187	986	Powell	153	858
Lee	90	511	Pulaski	1183	6997
Leslie	122	644	Robertson	22	96
Letcher	315	1989	Rockcastle	173	1030
Lewis	130	723	Rowan	356	2279
Lincoln	259	1399	Russell	310	1781
Livingston	149	649	Scott	650	3785
Logan	389	2673	Shelby	700	3697
Lyon	131	657	Simpson	282	1722
McCracken	1663	11108	Spencer	204	795
McCreary	139	944	Taylor	532	2577
McLean	138	777	Todd	159	867
Madison	1200	6765	Trigg	207	1246
Magoffin	171	763	Trimble	78	362
Marion	302	1675	Union	263	1528
Marshall	561	3835	Warren	2109	13030
Martin	142	926	Washington	211	1088
Mason	359	2178	Wayne	255	1323
Meade	300	1436	Webster	187	1052
Menifee	68	295	Whitley	551	3121
Mercer	349	1646	Wolfe	82	435
Metcalfe	109	621	Woodford	529	2872



Kentucky and Competitor States

A comparison of small business statistics for Kentucky and nearby states reveals relative strengths in the Commonwealth’s small business community. Recent trends indicate that Kentucky is among the leaders in the increase of new business starts, while showing the greatest decrease in business terminations. These figures are provided by the Office of Advocacy of the U.S. Small Business Administration and reflect the SBA’s definition of “small business.”

	Small businesses in 2004, including self-employed	Employer firms categorized as small business	Persons employed by a small business	New employer businesses in 2004 and % change from 2003	Business terminations in 2004 and % change from 2003
Kentucky	317,115	80,595 97.0%	734,027 50.2%	8,807 +8.0%	8,597 -20.4%
Ohio	850,961	227,339 98.3%	2,327,590 49.1%	22,725 +2.2%	21,328 -9.4%
Indiana	451,437	122,716 97.6%	1,253,842 49.8%	13,906 +3.4%	15,282 +1.0%
North Carolina	671,810	179,008 98.0%	1,570,713 47.3%	23,387 +4.1%	22,055 -5.1%
Tennessee	471,316	106,729 97.2%	1,032,883 45.1%	17,415 -1.6%	16,520 +1.3%
Illinois	1,001,185	280,373 98.3%	2,576,677 49.3%	28,453 -1.7%	33,472 -18.6%
Alabama	323,891	84,277 97.3%	786,023 49.7%	9,413 +4.4%	10,104 -7.5%
Mississippi	197,586	52,403 96.8%	452,463 50.0%	6,141 +2.0%	7,380 +1.6%
South Carolina	312,108	90,416 97.3%	739,268 48.0%	11,745 +9.2%	10,975 +2.5%
Virginia	567,830	169,053 97.8%	1,402,928 48.1%	24,134 +9.4%	19,919 -3.0%



CABINET FOR ECONOMIC DEVELOPMENT

Ernie Fletcher
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601-1975
Phone (502) 564-7670
Fax (502) 564-1535
www.thinkkentucky.com

Marvin E. Strong, Jr.
Secretary



The growth of small businesses is essential to the economic success of the Commonwealth. In our Cabinet’s work to encourage business investment and job creation, we realize that smaller enterprises offer great potential for growth. With a high degree of resident ownership, small businesses channel additional wealth to the benefit of Kentucky communities. This report highlights both existing and new programs that can support small business growth.

Several of our Cabinet’s longstanding programs include the **Business Information Clearinghouse** that provides information on applicable state licenses and permits, the **Entrepreneur Resource Navigator** that identifies site-specific financial and technical assistance programs, and the **Kentucky Procurement Assistance Program** that helps businesses offer goods and services to government purchasers. Each year, these programs service thousands of requests for assistance by Kentucky companies.

In 2005, with the support of Governor Fletcher and the General Assembly, Senate Bill 156 launched two new initiatives to support small business. The new **Small Business Loan Program** offers direct financing for fixed assets and working capital to businesses with 50 or fewer employees. The **Kentucky Business Finder** is a web-based search engine that allows potential buyers to track down Kentucky companies by the goods and services they provide. Any Kentucky business can join the Business Finder database, and more than a thousand have already done so.

Also in late 2005, the **Commission on Small Business Advocacy** was reorganized and assigned to the Economic Development Cabinet. We are pleased to play a supportive role to ensure that public policy in Kentucky does not work to the detriment of small businesses. We also welcome this interaction with small business owners and advocates, which will help sharpen our Cabinet’s understanding of the small business community.

We look forward to increasing success as we continue working to strengthen Kentucky’s economy.

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A Few Ways the Kentucky Economic Development Cabinet Serves Small Businesses

The Cabinet for Economic Development is the primary state agency responsible for creating new jobs and new capital investment in the state. Its largest department, Existing Business Development, administers a variety of financial and technical assistance programs to assist new and existing businesses. The Division of Small Business Services offers programs and services specifically created to assist with the creation and expansion of Kentucky-based small, minority and women-owned businesses.



The Economic Development Cabinet has developed two web-based tools to help businesses locate sources of business supplies, services, and financing. The **Entrepreneur Resource Navigator** helps a company or business owner locate nearby services according to its County location. Further web links are provided for identified resources and agencies, which may include the closest office of the Kentucky Small Business Development Center, or a regional or local assistance agency.

<http://www.thinkkentucky.com/SMBD/ERN/ernmain.aspx>

The **Kentucky Business Finder**, launched in 2005, is a free resource designed to promote sales for and between Kentucky businesses. A database created from entries by Kentucky companies enables buyers to identify suppliers of products and services. The program also facilitates direct e-mail inquiries to selected lists of identified supplier firms. http://www.thinkkentucky.com/KYBusinessFinder/btb_home.aspx More than 1,000 Kentucky businesses have already placed entries in the Kentucky Business Finder.

SMALL BUSINESS SERVICES DIVISION

The **Small Business Services Division** offers direct assistance through its three operating branches: the Business Information Clearinghouse, the Kentucky Procurement Assistance Program, and the Small & Minority Business Branch.

The **Business Information Clearinghouse** (BIC) serves as a centralized information resource on small business regulations and assists businesses in applying for necessary licenses and permits. The Clearinghouse was established in 1984 to provide a centralized resource regarding the more than 600 categories of business licenses at the state and federal level in Kentucky. BIC is accessible via direct mail, e-mail and an 800 toll-free hot line – 1-800-626-2250 – that provides an opportunity for the caller to speak directly with a BIC staff member.

<http://www.thinkkentucky.com/kyedc/ebpermits.aspx>

The **Kentucky Procurement Assistance Program** (KPAP) is a free business assistance program that helps Kentucky firms market their goods and services to federal, state and local governments. Jointly funded by the Kentucky Cabinet for Economic Development and the U.S. Department of Defense, KPAP puts a major emphasis on assisting small businesses, particularly those owned by minorities, women and veterans. The primary services offered through KPAP fall into three categories – marketing, consulting, and training.

KPAP is currently working with more than 1,800 firms that are seeking government contracts. In recent years, the firms receiving KPAP assistance have consistently reported more than \$80 million in government contracts and subcontracts annually. KPAP has a direct toll-free line at 800-838-3266.

<http://www.thinkkentucky.com/kyedc/proassist.aspx>

The **Small & Minority Business Branch** provides free consulting services to all types of small businesses on topics such as business plan development, financing alternatives and marketing plan assistance. This branch also acts as a referral service for financial and management assistance programs and assists in the development of education and training programs to support small and minority business enterprises. The branch administers the Linked Deposit Loan and the Active Capital programs, and is a contact point for the Cabinet's new Small Business Loan Program. <http://www.thinkkentucky.com/kyedc/busstart.aspx>

SMALL BUSINESS LOAN PROGRAM

A new **Small Business Loan Program** was created in 2005 to help eligible small businesses acquire funding necessary to start and grow. The program is limited to manufacturing, agribusiness, or service and technology firms which employ 50 persons or fewer. Loan proceeds can be used for fixed assets, such as building improvements and equipment, as well as operating capital. Loan amounts can range from \$15,000 to \$100,000. Repayment terms and interest will be set according to the asset financed and the risk associated with the loan. The only job creation requirement is that at least one new full-time job be added within one year.

The Small Business Loan Program is administered by the Kentucky Economic Development Finance Authority. Further information on loan policies and procedures can be obtained by contacting the staff of the Division of Small Business Services. <http://www.thinkkentucky.com/kyedc/pdfs/SmallBusinessLoanProgram.pdf>

For more information on the Division of Small Business Services, please contact John E. Cole III, Director, at 502-564-2064 or e-mail him at john.cole@ky.gov.

Kentucky Commission on Small Business Advocacy



In 2005 the Kentucky Commission on Small Business Advocacy was reorganized and placed within the Cabinet for Economic Development. The Commission, created in 2000, is charged with being an advocate for small business in the state legislative and regulatory processes. The Commission is dedicated to reducing or eliminating regulatory and procedural hurdles that small businesses may face.

To accomplish its role as an advocate for the needs of small businesses, the Commission has a number of statutory responsibilities, including to:

- **ADVOCATE** on behalf of small business at the state and federal level
- **ASSIST** the small business community in navigating the regulatory process
- **CONSULT** with the small business community in the development of public policy
- **EDUCATE** the small business community on valuable initiatives offered by federal, state and local entities
- **PROMOTE** cooperative and constructive relationships between state agencies and the small business community
- **REPRESENT** small business interests when regulatory implementation is overly burdensome

Because small businesses are spread throughout the Commonwealth, the membership of the Commission is composed of representatives from each of the state’s six Congressional Districts. The Commission has a total of 13 members, with two appointed from each Congressional District and one at-large member.

First District	Todd Duff – Paducah	Loretta Daniel – Sedalia
Second District	Keith Bratcher – Leitchfield	Greg Burkot**– Bardstown
Third District	Audwin Helton – Louisville	Tom Underwood – Louisville
Fourth District	Suzan Ross – Maysville	Vivian Llambi – Florence
Fifth District	Donna Vance Hudson – Corbin	Ray White – Morehead
Sixth District	Ajay Gupta – Lexington	Elizabeth Ruggles Pitchford - Salvisa
At-Large	Judy Moore*– Lexington	

** Chair * Vice-Chair

One of the growing challenges of creating and operating any profitable small business is understanding the number of current and proposed regulations that may apply. The Commission has a specific duty to review all new state regulations that may have an impact on small businesses. If it is determined that a new regulation has a negative impact on small business, the Commission may recommend appropriate revisions in the proposed regulation.

The success of the Commission depends on its ability to communicate effectively – both with the small business community and within state government. The Commission has established a web site at www.thinkkentucky.com/Advocacy/SBA_Advocacy.aspx to facilitate regular interaction with its business constituency. Small business owners are encouraged to use this site as a portal for assistance in maneuvering through the maze of state regulations and programs. Registering a business on the web site will provide access to a wide range of valuable information resources and services. Most importantly, it is an opportunity to have a voice in helping to shape public policy that impacts business.

The range of small business concerns is never-ending. To provide greater structure and focus to its work, the Commission is developing a strategic plan to organize its efforts on behalf of small businesses. Some of the issues that have been identified are as follows:

- Capital Formation
- Environmental Policy
- International Trade & Interstate Commerce
- Taxation
- Community Development
- Insurance – Health and Workers Compensation
- Procurement
- Human Capital
- Innovation/New Economy/Technology
- Regulation & Paperwork
- Marketing & Outreach
- Business Resources

For more information on the Kentucky Commission on Small Business Advocacy please contact Ken Robinson, Executive Director at 502-564-2722 (or 502-564-CSBA), or email him at ken.robinson@ky.gov.



Kentucky's Banks: Financiers of Small Business

Successful long-term growth for most businesses is dependent upon the availability of capital. When starting or expanding a business, unless one has access to personal funds or financing through friends or family, the main way to proceed is through debt financing. The Small Business Administration (www.sba.gov/financing), through the many programs that it sponsors, is one of the primary sources for companies seeking debt financing.

On an annual basis, the Kentucky Small Business Administration office recognizes outstanding lenders in several categories: Regional Bank, Community Bank, Certified Development Company, Micro Lender, and New Lender Award. Within both the Regional and Community Bank areas, there are several subcategories of recognition — Gold, Silver, and Bronze.

The Kentucky Economic Development Cabinet is pleased to acknowledge these lenders for their outstanding work. In 2004, the SBA's award winners in Kentucky were the following:

Category	Bank Name	# of Loans	\$ of Loans
Regional Banks			
Gold	National City Bank	140	\$7,254,800
Silver	PNC Bank, N.A.	89	\$11,860,000
Bronze	US Bank	52	\$6,092,600
Community Banks			
Gold	Traditional Bank	22	\$5,387,374
Silver	Community Trust Bank	20	\$5,442,000
Bronze	Paducah Bank	17	\$5,058,085
Certified Development Companies			
Eagle Award	Capital Access Corporation	31	\$15,094,000
Micro Lender			
Gold	Community Ventures Corp.	54	\$422,517
New Lender Award	King Southern Bank	3	\$2,224,000



Cabinet for Economic Development